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C O N F I D E N T I A L RANGOON 001358

SIPDIS

STATE ALSO FOR EAP/BCLTV; TREASURY FOR OASIA JEFF NEIL  
USPACOM FOR FPA

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TAGS: [PGOV](#) [PREL](#) [BM](#)

SUBJECT: BURMA: KOREAN FACTORY OWNERS COMPLAIN

Classified By: CDA a.i. Ronald K. McMullen for Reasons 1.5 (B,D)

1. (C) SUMMARY: Since the U.S. import ban became law on July 28, 10 of the original 35 Korean-owned garment factories in Burma have closed. The remaining 25 factories are hanging on by filling European orders, but are continuing layoffs. Laid off workers have returned to their home towns and villages because of a scarcity of jobs in the Rangoon area. END SUMMARY.

2. (C) Two Korean factory owners and the Korean Embassy's Commercial Attach told EAP/BCLTV Director and Poloff on October 22 that of the original 35 Korean-owned garment factories and suppliers in Burma, 10 have closed since the start of new U.S. sanctions in late July. The 25 remaining factories are relying on orders from Europe to keep their production lines open but are still being forced to lay off additional workers.

3. (U) The two factory owners questioned the intended target of the U.S. sanctions, complaining that their workers had only lost their jobs and could simply return home, while foreign investors were the only ones really hurt. The Korean owners said they had lost huge sums of money since the sanctions, but they couldn't take their capital goods out of the country, mainly because the plants are legally owned by Burmese front companies that won't allow the move.

4. (U) One of the owners said his factory employed 1,200 fairly well-educated workers. Of them, one third could read and understand English, and over 200 others were university students. A factory job was appealing to university students, as it could bring more social mobility, at \$17 to \$20 a month pay, than any other job a university graduate could land. Once laid off, their workers had to return to their home village as there were not many other options for employment in the Rangoon area. The owners said they were not aware of former workers being forced into the sex trade, and they thought this outcome was unlikely.

5. (C) In an ironic twist, one of the remaining Korean factories was trying to expand its production line but couldn't because of difficulty hiring laid off workers. The workers wouldn't take the new jobs because of the expensive daily commute to the new factory on the other side of town.

6. (C) COMMENT: The Korean owners' complaint about being the target of sanctions is sour grapes. The BCLTV Director pointed out to the two owners that they knew it was risky to invest in Burma, and that import ban legislation had been discussed for years. Interestingly, the Koreans admitted that about 100 Chinese, Hong Kong, and Taiwanese-owned garment factories were able to close down, pack up, and ship out all their plant equipment just before sanctions took effect, primarily because they had not created Burmese front companies when setting up operations in Burma. The Korean decision to go with a Burmese front company seemed more advantageous during start up, but now proves to be a major mistake when trying to flee the country. As for workers and the sex trade, this is another source that supports the view that laid-off garment factory workers have returned to their villages or have sought other, albeit scarce, jobs in other sectors and have not yet made the sex trade their number one choice for follow-on employment. That said, Rangoon does in fact have a large enough sex industry, as well as entertainment industry, to absorb workers laid off from the garment factories.

7. (U) This message has been cleared by EAP/BCLTV Director Judith Strotz.  
McMullen